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Security Pacific using ACAPS to evaluate credit and speed up loan processing. (Security Pacific Bank; Automated Credit Application Processing System)

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ACAPS

Text:

~~Security Pacific Bank is refining how it will make use of score cards for the processing of loan applications. Because it wants to speed up its loan processing, the bank is now accumulating information for scorecards and trying to expand its database.~~

~~A credit scoring system is a key for the fast turnaround that we have in mind, Edward Berenzis, Security Pacific's senior vice president for consumer loan processing, commented during an interview at last month's BMA Corp. conference for financial services executives in Albuquerque, N.M. The bank's primary interest in having a scoring system is to ensure the quality of its loan portfolio, he added. Also, with indications last year that the U.S. economy would weaken, the bank was especially anxious to control the quality of its portfolio.~~

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Motive

~~For now, Security Pacific is using American Management Systems Inc.'s AMS Automated Credit Application Processing System (ACAPS), which can perform pre-screening to eliminate applications failing minimum credit criteria and alert loan officers to look for problem factors on a particular application.~~

~~In that case, it is not possible to approve any loans until a potentially fraudulent application has been investigated.~~

Behavior scoring for collections

Security Pacific is already using behavior scoring on the collection side, taking its own information and trying to utilize it in the collections process.

It has 621 branches and last year originated and processed approximately \$3.5 billion in direct consumer loans, including revolving credit lines. The bank operates all direct consumer loan production as well as its collections and recovery division from one location in Chatsworth,

Calif. For DeRenzis, the objective has been to consolidate and centralize functions to improve service.

Prior to the centralization, the various branches would take, process and approve applications individually. In 1988, the bank went from having 4 centers to a single centralized processing center in an effort to eliminate redundancy in the handling of its loan applications.

Security Pacific has used IBM equipment in its loan processing. The bank averages about 800 applications a day each year. AGAPS, which works on an IBM main frame system, was designed to be a high volume application processor to support direct, indirect and revolving credit.

At the beginning of 1986, by processing direct loans, the bank added instant credit capability to its other bank products, which represent small business market, and available services to business, financial companies, and savings and loan associations.

AGAPS has since added functionality for indirect lending and supporting home equity loans. It was oriented toward a work-queuing ability but has also added a number of credit and risk analysis elements, explained Carolyn Fairbank, director of information management for APG.

The system is linked automatically to credit bureaus and summarizes categories of data such as a number of credit inquiries for the extent of application use. In addition, AGAPS works with the scores from a credit bureau.

DEATH OF AGAPS

AGAPS is an operational system controlling the process but also is a major automation tool for credit policy executives in banks to enforce their strategies. Fairbank told us. The documents the process produces are letters and forms, while the scores make sure a sound credit decision is being made.

Elements such as building score cards include demographics, employment information, range of income, and debts of applicants. Credit bureaus provide a history of accounts obtained and applicants' behavior patterns, such as recent loading upon credit, and any problems in making payments.

Financial institutions need to have a sample of information large and recent enough to build a score card, the life of which normally ranges from 2 to 5 years. Once a score card has been developed, an institution usually needs a year to 18 months after a customer has applied for a loan to determine if that individual will become delinquent.

"It's an interesting mix where you're trying to get recent enough information to have a relevant sample for people tomorrow who are going to apply, but not too new so that you don't have enough history and behavior patterns to be able to correlate factors," Fairbank said.

In the credit industry, many of the smaller dollar loans or less risky kinds of products are being scored and sometimes handled automatically with immediate decisions being made. When there are more complicated deals with multiple parties, a collateral, or a higher dollar amount, there has been less scoring. But now more organizations are starting to use scoring.

In the mortgage area, there is a little use of scoring. However, many lenders have used scoring so effectively in some of their other product lines that they see a role for it in handling more complex products.

The National Automated Clearing House Association (NACHA) is planning to launch an expanded, multi-program marketing campaign to promote electronic deposits of pensions, annuities, interest and dividends. This

Done
in
1991

Elements

Mortgages

will mark the first time since the start of NACHA's 1989 marketing campaign that the association will expand its marketing efforts beyond promoting direct deposit of payroll. Features of the 1991 campaign will include direct mail and new corporate advertising and promotional materials aimed at encouraging direct deposit for non-salary payments. Florida-based Payment Systems Inc. has conducted research that indicates that about 1 billion dividend, interest, pension and other nonsalary payments are made by check each year. NACHA will also continue to target its education and marketing efforts to companies that do not yet offer direct deposit.

NACHA's research indicates that over 79% of large corporations already offer direct deposit of payroll, but the average participation rate is 33%. However, companies that regularly promote direct deposit to employees are achieving participation rates from 65-99%. (Steve Lewis, NACHA, 703/742-9190)

Bankgirocentralen BGC AB (Bankgiro), headquartered in Stockholm, Sweden, has purchased a BancTec ImageFIRST 5500 system to process bankgiro payments and money transfer documents. The order is worth \$11 million, making it BancTec's largest single order for its image processing system. ImageFIRST uses image technology to process remittance documents, sales drafts, giro documents and checks. European giro systems use a single document to handle the functions of both a check and a remittance slip. Sven Schelin, managing director of the Swedish bankgiro, said the institution anticipates an operational date of mid1992. (G.W. Mayland, BancTec, 214/450-7753)

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